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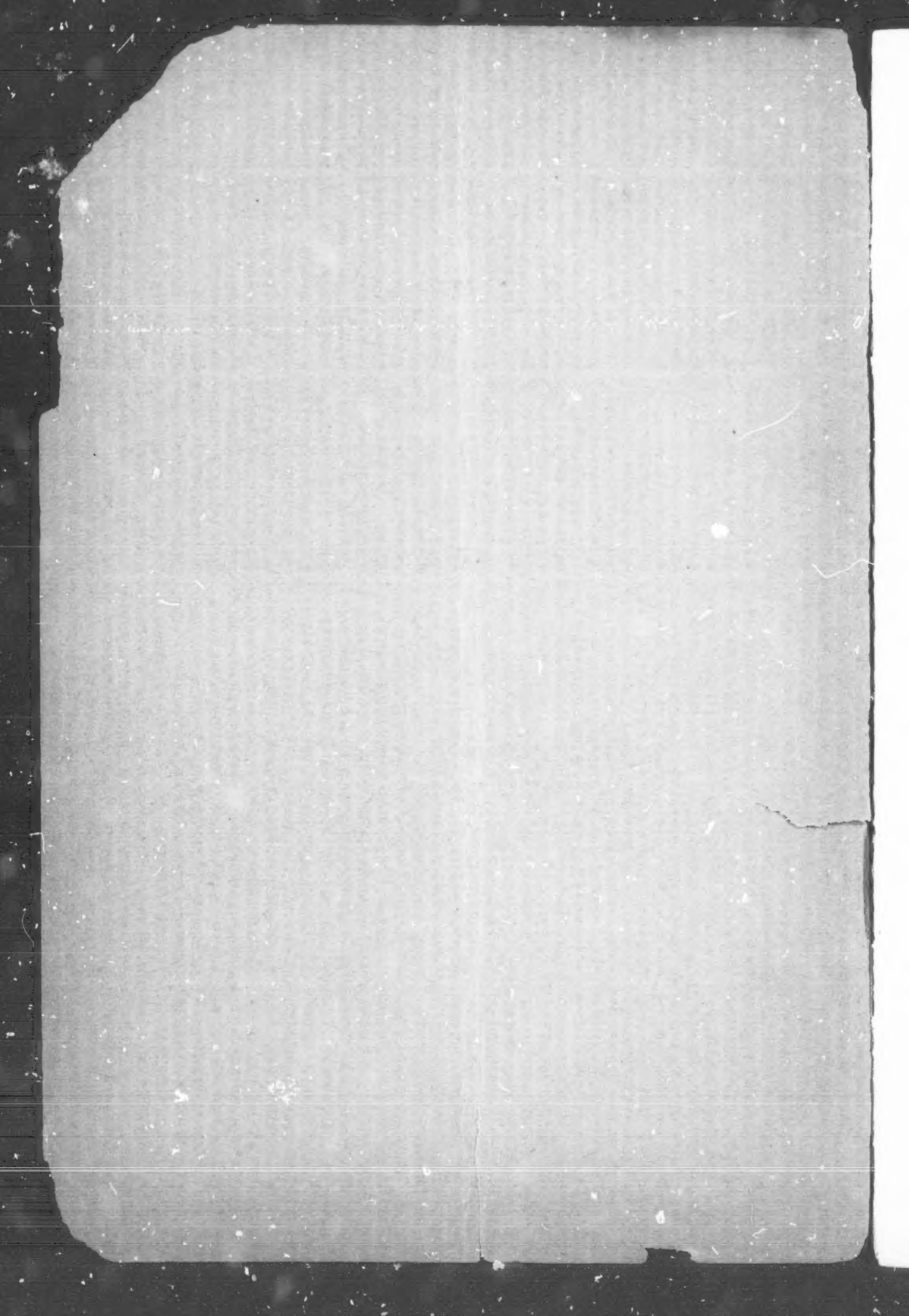
STATEMENT

OF THE

HON. W. MULOCK,

Late President of the Farmers' Loan and Savings Company.

Made before the Master-in-Ordinary, on
15th December, 1897.



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At the opening of proceedings MR. MULOCK spoke as follows:

I do not appear here to-day in connection with the particular object of the meeting, which I understand to be the appointment, or the consideration of the appointment, of a permanent liquidator; but I appear here in my personal capacity for the purpose, if you will permit it, of reading a statement to which I desire to give the fullest publicity and to place upon record here. So if it is possible for any person to controvert the accuracy of my statement it will be on record as a witness against me.

I have been told that it is rumored that I have availed myself of supposed special knowledge of the affairs of this company to sell out my stockholdings in order to escape from liability on unpaid stock; that I have withdrawn deposits under my control; that I have sold property at the Junction and promoted mortgage loans by the company on such properties with which to obtain payment of the purchase money; that I have used my position as President to work into the company bad loans held by some of my relatives or clients, and, having done all these things, that I had withdrawn from the presidency as from a sinking ship.

I deem it my duty as a public man, as well as my right as a private citizen, to defend my own personal honor, and, therefore, with your permission, will avail myself of this opportunity of dealing with these personal charges.

While some persons might consider an explicit denial sufficient, I think it better to deal with them singly and fully.

In doing so I necessarily must bring the names and private affairs of my wife, children and relatives before the public, and however distasteful this course, I trust I shall not be misunderstood in my sole object, namely, to give the very fullest information as to the dealings of myself and family with the company.

First, let me say, that the company was incorporated in 1871, Mr. George Bethune having been Manager at its inception, and continuously until now. That on the death of its President, Mr. Peleg Howland, I was, in 1882, for the first time and without my knowledge, solicitation or desire elected a director and subsequently President of the company.

A HEAVY SHAREHOLDER

Allow me to deal with the first charge—that of having parted with or reduced my stock or the stock of friends or relatives, withdrawn deposits, etc.

When elected President I held 47 fully paid-up shares, and 171 20 per cent. shares, and it will, I trust, be sufficient if I trace my position as a shareholder, for, say, the last ten years. Commencing, then, with the 1st of May, 1887, I find that on that day I held 235 shares, 45 paid-up and 190 20 per cent. shares, that is, shares on which 20 per cent. was paid and 80 per cent. unpaid, for the unpaid portion of which the holder is liable. Therefore I made the following further investments in the company's stock:—On the 9th of June, 1890, I purchased for myself 300 shares of 20 per cent. stock at $110\frac{1}{4}$, the face amount being \$15,000, on which \$3,000 was paid and \$12,000 unpaid, and for which I then became liable. On the 20th October, 1890, I purchased for myself six shares paid up. On the 5th of January, 1891, I purchased for myself 50 shares of 20 per cent. stock at 113. On the 5th of April, 1892, I bought at 126 ten fully paid-up shares for my daughter Edith, ten fully paid-up shares for my daughter Ethel, and ten fully paid-up shares for my son Cawthra. On the 19th April, 1895, I bought for myself twenty paid-up shares at 106. On the 20th April, 1895, I bought for myself 30 paid-up shares at $105\frac{1}{2}$, and on the 7th May, 1895, ten paid-up shares at $104\frac{1}{4}$. My wife was also the holder of twenty shares fully paid-up and four 20 per cent. shares purchased some years before. I find from the transfer books of the company that on the 20th November, 1888, I gave to my daughters Edith and Ethel, each two paid-up shares, and to my son Cawthra one paid-up share.

NO SHARES SOLD IN TEN YEARS

Now all these shares (being 710 shares) together amount to a face value of \$35,500, but having been bought at a premium, cost me much more than that sum. Of these 710 shares, 544 are 20 per cent. shares, and there is owing on them \$21,760, and are held as follows:—

By my wife—20 shares fully paid and four 20 per cent. shares.

By my daughter Edith—12 shares fully paid.

By my daughter Ethel—12 shares fully paid.

By my son Cawthra—11 shares fully paid.

By myself—111 shares fully paid, and 540 20 per cent. shares.

I would further add that I have not sold one share in the last ten years, and am liable to-day for \$21,600 on my 540 shares.

As to deposits, I beg to state that my wife and children, and myself as trustee for one of my sisters, have for years had current deposit accounts with the company, the children's moneys having been accumulating there since their childhood, those for my wife and sister being left there temporarily pending investment, and there are now the following sums on deposit with the company, namely:—

SUMS ON DEPOSIT

To credit of my daughter Ethel.....	\$ 1,973 30
To credit of my daughter Edith	40 41
To credit of my son Cawthra.....	1,690 20
To credit of my wife.....	703 97
To credit of myself	276 33
	\$ 4,684 21
To credit of myself and co-trustee for my sister..	7,840 88
	\$12,525 09

I beg to add that in the years 1891 and 1892 my aunt Mrs. William Cawthra, whose business I transacted, purchased with my approval, 200 paid-up shares in the company, and the same still form part of her estate. I would also add that the late Joseph Cawthra was until his death one of the directors of the company, and at his death was a shareholder and depositor in the company, his shareholding consisting of 40 shares paid-up and 27 unpaid, and his deposit some \$15,000; that I am one of his three trustees, and that his estate still has the shares in question, and a deposit of \$13,908.71. Had I ever supposed the company not sound, it would have been my duty to withdraw these trust funds, otherwise I would become personally liable as such trustee. Not only had I no such thoughts, but when my co-trustee, Mr. H. Cawthra, about May, 1894, proposed to me to invest \$25,000 for the estate in debentures of this company, and asked my opinion, I felt no hesitation in saying that I regarded it as a good investment, and accordingly, on the 1st of May, 1894, we purchased and still hold \$25,000 of the company's debentures. As to whether, therefore, there is any truth in the charge that I had been reducing my interest and those of my relatives in the company, may be judged of from the fact that my wife and children and myself are shareholders to the extent

of.....	\$35,500 00
That the company holds to-day deposits for my wife and children and myself to the extent of..	4,684 21
	\$40,184 21
That the estate of my aunt, Mrs. Cawthra- Murray, holds in paid-up shares	\$10,000 00
That as trustee I am also interested in deposits amounting to.....	\$ 7,840 88
	13,908 71
	21,749 59
And in debentures amounting to.....	25,000 00
And in 67 shares of stock of the late Jos. Cawthra..	3,350 00
Thus our interest in the company to-day amounts to.....	\$100,283 80

AS TO JUNCTION PROPERTY

As to the next charge, that I had sold property at Toronto Junction, and was paid through loans by the company on such properties, I would say that the only property at the Junction in which I ever had an interest was a block of some 30 acres of land near the station, my interest therein being an undivided one-sixth. This property was divided into lots some years ago and a number of lots sold, Mr. Thomas having sole charge for all concerned of the sales, keeping accounts, receiving and dividing purchase money, etc., so that I never knew the source from which any purchase money came, and therefore it would not have surprised me if in the ordinary course of business some purchasers had borrowed money from the company. Yesterday I inquired of Mr. Thomas, and he assured me that in no case had he received payment of any purchase money from the company. However, to make sure, I sent a clerk to the registry office to ascertain if the company had ever had a mortgage on any of the lots in question, and he reports only one such, namely, on lot 3 Keele street, sold by the estate for \$432, my total share in this purchase money being one-sixth, or \$72. I turned up the minute book of the board and find that the loan in question was passed at a board meeting on 18th April, 1889, at which I was not present. The whole amount of my interest in the lot, \$72, is too insignificant to justify me in further dwelling upon the transaction.

UNLOADED NO BAD LOANS

As to the next charge, that I have unloaded bad loans or my family upon the company, I give the most absolute and unqualified denial thereto. I am not aware of any loan held by any relative of mine having ever been paid off by the company. Certainly I never passed or approved of or suggested the company's making any loan for any such purpose, and, remembering the strict view that I have always maintained in regard to such matters, I can only say that if any application for a loan were to come before me as a director, and I were to know that the destination of the money was to some relative of mine, that fact would have determined me absolutely against the loan.

REASONS FOR WITHDRAWAL

The last charge that I have heard is that I resigned the Presidency as one leaves a sinking ship. I resigned the Presidency for one reason, and one reason only. I had become a member of the Dominion Government, and did not think it proper to be on the directorate of a company which derived its

charter from the Dominion Parliament, and I was amenable to Dominion legislation. For the same reason I also resigned my seat on the board of another company. I do not remember the precise date of my resigning, but my recollection is that the idea came to me a few months after joining the Government, through an article published in or copied from *The Farmer's Sun*, referring to the English practice.

HAD CONFIDENCE IN THE COMPANY

In conclusion I beg to state that until the end of October last I had not, and I feel satisfied that no member of the board had, the faintest idea that the company was on other than a perfectly sound financial basis, and I fully believed, as I feel assured the other directors did, in the absolute correctness of the representations made by the Managing Director, which from time to time found expression in the company's annual reports.

I greatly deplore the loss that is likely to accrue to those interested in the company, and whilst the fact that I am the largest loser is no consolation to others, I trust that it will at least be regarded as proof of my faith in the financial soundness of the company.

W. MULLOCK.

Toronto, Dec. 14, 1897.